

HOUSE BILL 508

Testimony of Teamsters Local 190 and the Montana Injured Workers' Resource Council
House Business & Labor Committee – February 2, 2007

“Revising wages definition to reduce UI and WC contributions”
Introduced by Representative Diane Rice

Mr. Chairman, members of the Committee, for the record my name is Don Judge and I'm submitting this testimony today on behalf of the Montana Injured Workers' Resource Council and Teamsters Local 190 in opposition to House Bill 508. I apologize to the committee for not being able to attend, but business interests required me to be out of town today.

Mr. Chairman, members of the committee I believe that you will hear from opponents that flaws with this proposed legislation, which is intended to help employers reduce their costs of unemployment compensation and workers' compensation, could actually result in just the opposite.

On Unemployment Compensation – I believe that federal law requires all employers, including employers of tipped employees them to report all wages paid to their employees, and that tipped income when it is not easily documented, is required to be reported at a minimum of 8% of the sales of the establishment. To the extent that this income would continue be reported on the federal level, but under HB 508 would not be reported at the state level for the purposes of unemployment compensation, this may constitute a violation of federal UI law. If that is the case, employers doing so may risk losing receipt of FUTA dollars in our state.

On Unemployment Compensation and Workers' Compensation – A second level of consideration would be equal protection provisions of the Constitution which could allow for a challenge from tipped workers, who have paid income taxes on their income including tips, being denied access to equality in unemployment compensation and workers' compensation benefits because of the provisions of HB 508. Any non-tipped worker would have their UI or WC compensation based upon their reportable taxable income but with HB 508 you create a separate treatment for a class of workers which, we believe, would not be acceptable under the equal protection provisions of the Constitution. If you attempted to provide that the UI or WC taxes paid would exclude the value of tips, but that the benefits paid would include the value of tips, you create a whole new arena for challenges, this time by employers whose tax rates are not given such an unfair advantage.

From a pure worker's perspective, neither unemployment compensation nor workers' compensation provide for anything more than a minimal level of subsistence income during periods of economic stress. Both systems limit wage loss benefits to levels which cannot exceed a certain percentage of the states average weekly wage. And in every instance, no unemployed worker or injured worker receives anything close to their lost regular income.

House Bill 508 appears to us to be an attempt by some employers unsatisfied with the passage of the recent increase in Montana's minimum wage to take a pound of flesh out of their workers to partially offset the increase. Montanans overwhelmingly passed the minimum wage increase and we urge this committee not to bend the will of the voters with this ill-conceived measure.

Please vote to table HB 508. Thank you

Respectfully submitted

A handwritten signature in cursive script, appearing to read "Don Judge", is written over the printed name.

Don Judge

Teamsters Local 190

Montana Injured Workers' Resource Council